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Commonwealth of Kentucky  
**Environmental and Public Protection Cabinet**  
**Public Service Commission**

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February 18, 2004

Hon. Mark R. Overstreet  
Stites & Harbison PLLC  
421 West Main Street  
P. O. Box 634  
Frankfort, KY 40602-0634

RE: Kentucky Power Company d/b/a American Electric Power  
Case No. 2002-00475  
Motion for Confidential Treatment

Dear Mr. Overstreet:

The Commission has received the motion filed February 5, 2004, on behalf of Kentucky Power Company d/b/a American Electric Power to protect as confidential page 3 of Kentucky Power's response to information request 14 as set forth in the Commission's Order of January 22, 2004. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the motion, and it will be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a), to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a long horizontal flourish extending to the right.

Thomas M. Dorman  
Executive Director

cc: Parties of Record

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY	)	
D/B/A AMERICAN ELECTRIC POWER FOR APPROVAL,	)	
TO THE EXTENT NECESSARY, TO TRANSFER	)	CASE NO.
FUNCTIONAL CONTROL OF TRANSMISSION	)	2002-00475
FACILITIES LOCATED IN KENTUCKY TO PJM	)	
INTERCONNECTION L.L.C. PURSUANT TO	)	
KRS 278.218	)	

SUPPLEMENTAL DATA REQUEST OF COMMISSION STAFF  
TO KENTUCKY POWER COMPANY

Kentucky Power Company d/b/a American Electric Power ("Kentucky Power"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due March 2, 2004. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Exhibits JCB-1 and JCB-4 to the direct testimony on rehearing of J. Craig Baker ("Baker Testimony").

a. Explain whether the amounts shown as off system sales profits are the total amounts of such profits projected for Kentucky Power or the amounts of such profits in excess of the \$11,315,336 already reflected in Kentucky Power's base rates.

b. Explain whether Exhibits JCB-1 and JCB-4 reflect the gross amounts of off system sales profits projected for Kentucky Power or the net amounts that will flow through to ratepayers after the 50 percent sharing of profits in excess of \$11,315,336 through Kentucky Power's system sales clause.

c. If Exhibits JCB-1 and JCB-4 do not reflect the amount of off system sales profits net of the 50 percent sharing, file revised Exhibits JCB-1 and JCB-4 that reflect the profits net of such sharing.

2. Refer to Exhibits JCB-1 and JCB-4 to the Baker Testimony.

a. Explain whether Exhibits JCB-1 and JCB-4 reflect the expiration of Kentucky Power's purchase of Rockport Unit Power on December 31, 2004.

b. If no, explain in detail what assumptions were made regarding the Rockport Unit Power purchase.

c. If yes, file revised Exhibits JCB-1 and JCB-4 that reflect a continuation of the existing Rockport Unit Power purchase through 2008 and explain why the Rockport Unit Power purchase is not being continued as previously agreed to by American Electric Power ("AEP").

3. Refer to the Baker Testimony, page 23, line 15, to page 24, line 5, which discusses how Kentucky Power's membership in PJM Interconnection L.L.C. ("PJM") "will enhance the reliability of AEP's transmission in Kentucky and minimize curtailments." Provide a schedule that lists each curtailment in Kentucky since

January 1, 1999. For each curtailment listed, state the specific areas curtailed, the length of the curtailment, the reason for the curtailment, and explain in detail how Kentucky Power's membership in PJM would have eliminated or reduced the curtailment.

4. Refer to the Baker Testimony, page 24, lines 6-19. Assume for the purposes of this question that the referenced court proceedings result in a ruling that KRS 278.214 is a valid, constitutional requirement.

a. If Kentucky Power does not join PJM, will Kentucky Power comply with KRS 278.214?

b. If Kentucky Power does join PJM, will Kentucky Power still be engaged in the transmission of electricity within its certified territory? If yes, will Kentucky Power comply with KRS 278.214? If no, has Kentucky Power received any assurances from PJM that PJM will provide the transmission priority required by KRS 278.214?

5. If AEP East joins PJM, will it be required to offer for sale in the PJM market all energy not needed to serve internal load? If yes, explain why Kentucky Power should continue to share, on a 50-percent basis, the off system sales profits in excess of the level incorporated into base rates.

6. Refer to the response to Item 2 of the Commission Staff's ("Staff") January 22, 2004 data request regarding the amount of energy AEP produces that is not offered on the spot market, but instead is used to meet AEP's internal load requirements under implicit bilateral contracts.

a. Provide the amount of energy projected to be used to supply AEP's internal system load requirements for each year of the study period. The choices that Cambridge Energy Research Associates ("CERA") made to model this energy are not relevant to the question.

b. Explain why CERA's study results are valid if its study is based on the assumption that the majority of AEP's generation output would be offered on the spot market if, in fact, the majority of AEP's output is retained to serve its native load.

7. Refer to the response to Items 3 and 16 of the Staff's January 22, 2004 data request and Item 5 of the Staff's February 7, 2003 data request regarding the costs AEP has incurred related to formation of a Regional Transmission Organization ("RTO") and, specifically, the costs incurred in order to integrate AEP into PJM.

a. Explain whether AEP has incurred any costs related to the Midwest Independent System Operator ("MISO") or the Alliance RTO in addition to the amounts as of December 31, 2002, shown in the response to the February 7, 2003 data request.

b. Provide, through the most recent month for which the information is available, the total cost related to RTO formation that has been recorded on the books of the AEP East operating companies, inclusive of carrying costs. The components that make up this total, such as costs related to MISO, the Alliance, or PJM, carrying costs, etc., should be separately identified.

8. Refer to the response to Item 18 of the Staff's January 22, 2004 data request regarding the Federal Energy Regulatory Commission's ("FERC") conditions placed upon its approval of AEP's merger. Provide a general description of the current status of any ongoing appeals or court proceedings related to the AEP merger.

9. Refer to the response to Item 21 of the Staff's January 22, 2004 data request regarding the "limited participation in PJM" alternative, which AEP has raised as a means of resolving the dispute pending before FERC in Docket No. ER03-262-009.

a. Explain whether it is AEP's intent that discussion of this alternative be confined to the FERC proceeding.

b. If the answer to part (a) is that AEP intends for this alternative to be confined to the FERC proceeding, explain why this alternative was included in the cost-benefit analysis filed in this proceeding on December 23, 2003.

10. Refer to the response to Item 28 of the Staff's January 22, 2004 data request regarding the expectations of CERA concerning resolution of various wheeling rate issues.

a. The response indicates CERA's expectations reflect its experience and judgment, its relationships with transmission professionals and its discussions with such professionals and others in the context of work on its "Grounded In Reality" study. Aside from how it developed its expectations, identify and describe the factors which, based on its experience, etc., led CERA to the expectations/conclusions set out on page 6 of Exhibit HS-1 to the Direct Testimony and Exhibits of Hoff Stauffer.

b. Describe the changes that would occur in Scenario A, described on page 6 of the exhibit if, contrary to CERA's assumptions, it is assumed that wheeling rates between Southeast transmission owners and the rest of the Eastern Interconnect do not remain in place.

11. Refer to the response to Item 31 of the Staff's January 22, 2004 data request regarding the "inefficiencies associated with bilateral markets."

a. Explain why it should not be considered circular reasoning to assume inefficiencies or efficiencies in the basic data inputs of a study that purports to demonstrate the difference in efficiency between two or more scenarios.

b. The inefficiencies associated with bilateral markets may be relevant in a study designed to demonstrate the efficiencies of competition in energy markets, but there is no explanation for why it is relevant to a study on the benefits of RTO membership. Explain how the "inefficiencies associated with bilateral markets" relate to the costs and benefits of AEP's membership in PJM.



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DATED February 18, 2004

cc: All Parties

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